BOMA Exhibit 2.0

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
	:	
Petition to implement a competitive procurement process by establishing Rider CPP, Rider PPO-MVM, Rider TS-CPP and revising Rider PPO-MI	:	**Docket No. 05-0159**

Direct Panel Testimony of

T.J. Brookover
The John Buck Company

and

Kristav M. Childress
GEV Corp.

on behalf of

the Building Owners and Managers Association of Chicago

Q. Mr. Brookover, please state your name, title and business address.

A. My name is T.J. Brookover. My business address is The John Buck Company, One N. Wacker Drive, Suite 2400, Chicago IL, 60606. My title is Senior Vice President & Director of Property Management.

Q. Mr. Childress, please state your name, title and business address.

A. My name is Kristav M. Childress. My business address is GEV Corp., 360 N. Michigan Avenue, Suite 1005, Chicago, IL 60601. My title is Technical Director.

Q. Mr. Brookover and Mr. Childress, on whose behalf are you testifying?

A. We are testifying on behalf of the Building Owners and Managers Association of Chicago ("BOMA/Chicago" or "BOMA**").** BOMA/Chicago is the voice of the office building industry in the city of Chicago, representing 270 buildings within the city limits. BOMA/Chicago members represent 94% of the total commercial office space in Chicago. Now in its 103rd year and the oldest Building Owners and Managers Association in the world, BOMA/Chicago represents the interests of the people and companies that own and manage Chicago's commercial buildings. These valuable assets are the core of one of the world's greatest business districts. By advocating the interests of the owners and managers of these valuable assets, BOMA/Chicago also supports the businesses and employees that are housed in them. BOMA/Chicago's mission is to promote the welfare and advance the interests of the office building industry through leadership, advocacy, education, research, information and professional development.

Q. Does BOMA/Chicago have a significant interest in this proceeding?

A. Yes. BOMA/Chicago member buildings have an estimated aggregate Peak electricity demand of over 500 megawatts ("MWs") within the Commonwealth Edison Company ("ComEd") service territory. Electricity expense is typically the second largest line item expense (after real estate taxes) for BOMA member buildings.

Q. Mr. Brookover, please describe your professional background.

A. I am Senior Vice President & Director of Property Management for The John Buck Company. The John Buck Company ("JBC") is one of the largest management and leasing companies in the Midwest. JBC manages over 10 million square feet of office space in the Chicago metropolitan area and many commercial buildings in several other cities. JBC delivers a complete range of integrated real estate services that meet the increasingly complex business and financial needs of its clients. I am responsible for overseeing the operation of 17 buildings in the Chicago area, as well as buildings in New York City, Washington D.C. and Minneapolis. I have held this position since September 2004. Prior to this engagement, I was Vice President for Shorenstein Realty Services, Inc. ("Shorenstein") with responsibility for the Central Region, which includes Chicago, Kansas City, New Orleans, and Phoenix. I am currently the Chairman of BOMA/Chicago's Energy Committee and a member of the board of directors of BOMA/Chicago.

Q. Mr. Childress, please describe your professional background.

A. I am the Technical Director of GEV Corp. ("GEV"). GEV specializes in securing electricity supply contracts for consumers that save money while minimizing the

economic risks posed by newly competitive markets. I am responsible for refining and applying GEV's proprietary computer model, which is used to analyze electricity supply proposals in the ComEd service territory. The computer model provides economic evaluation for an electricity consumer of competing electricity supply proposals under projected electricity load profiles for that particular consumer. I have analyzed electricity savings opportunities using this computer model for more than a thousand accounts in the ComEd service territory including a large number of buildings which are members of BOMA/Chicago. GEV has produced positive results for many clients, ranging from large electricity consumers like the Sears Tower to mid-size buildings and other smaller electricity users.

Prior to joining GEV, I spent nearly a decade utilizing computer models to analyze financial issues in the highly regulated segments of the food industry. During my career, I have worked extensively to apply and refine computer models to real-world business situations, including quantification of the costs to businesses of regulations and proposed changes in regulations.

Q. Mr. Brookover, what has been your experience with procurement of electricity supply for buildings in ComEd's service territory?

A. I have negotiated electricity supply contracts for 15 buildings which I currently oversee for The John Buck Company. Prior to that, I made electricity supply decisions for Shorenstein's Chicago buildings, which include The John Hancock Center and Prudential Plaza. I also was actively involved on behalf of Shorenstein

in the Post-2006 Initiative of the Illinois Commerce Commission ("Commission" or "ICC").

Q. Mr. Childress, do you have experience with respect to ComEd's tariffs including ComEd's current bundled rates for electricity supply and delivery and ComEd's current delivery service tariffs?

A. Yes. As I mentioned above, I am responsible for the refinement and application of the proprietary computer model which GEV uses to analyze and compare competitive electricity supply proposals in ComEd's service territory. The model incorporates ComEd's tariffs for ComEd's bundled rates for electricity supply and delivery ("bundled rates"), as well as ComEd's delivery service rates ("delivery services tariffs" or "Rate RCDS"). The model is specifically designed to compare estimated charges under competitive supply proposals, including ComEd's applicable distribution and transmission charges, with estimated charges under ComEd's bundled rates. I have performed analyses for many customers in the ComEd service area to determine their economic justification – if any – for switching from ComEd's bundled rates to either competitive electricity supply or ComEd's Rider PPO-Power Purchase Option (Market Index) tariff ("Rider PPO-MI" or "PPO-MI"). As a result of this experience, I am extremely familiar with ComEd's tariffs and their impacts on consumers.

Moreover, I was extensively involved on behalf of Trizec Properties, Inc. ("Trizec") in the analysis and negotiation of ComEd's current delivery services and PPO-MI tariffs which were agreed on as part of a comprehensive settlement among Trizec, ComEd and many other parties approved by the Commission in

2003. (ICC Final Orders, Docket Nos. 02-0656/ 02-0671/ 02-0672/ 02-0834 (Consol.), Docket No. 01-0423, and Docket No. 02-0479, dated March 28th, 2003). I also was an active participant on behalf of Trizec and Shorenstein in the Commission's Post-2006 Initiative.

Q. Mr. Brookover and Mr. Childress, which ComEd tariffs are you addressing in this proceeding?

A. We are addressing three ComEd tariffs: proposed Rider CPP–Competitive Procurement Process ("Rider CPP" or "CPP"), proposed Rider PPO-MVM Power Purchase Option (Market Value Methodology) ("Rider PPO-MVM" or "PPO-MVM"), and draft Rate BES-NRB Basic Electric Service-NonResidential (Blended) ("draft Rate BES-NRB"). These tariffs are ComEd Exhibits 7.1, 7.2 and 7.5, respectively, in this proceeding.

Q. What is the purpose of your testimony in this case?

A. The purpose of our testimony is to detail specific rate shocks and other negative impacts that many BOMA member buildings and other consumers in ComEd's service territory will likely experience if ComEd's proposed changes to its tariffed rates are approved for service beginning in January 2007. We are proposing various changes to ComEd's proposed rates and other tariffs which are designed to mitigate these rate shocks and other negative impacts. Specifically, we are proposing the following:

- Prior to the Commission approving ComEd's proposed Rider CPP, ComEd's delivery services tariffs must be modified to mitigate the effects of rate shock on consumers who use electricity for space heating.

- The Commission should reject the inclusion of any migration risk factors if it approves ComEd's Rider CPP.
- The Commission should reject ComEd's proposed Rider PPO-MVM and require that ComEd continue to provide a Power Purchase Option ("PPO") tariff either based on a market index (as it does currently in Rider PPO-MI) or a neutral fact finder methodology.
- The Commission should reject the "expanded" definition of Peak period energy (6 A.M. – 10 P.M. on weekdays) in ComEd's proposed Rider CPP and PPO-MVM tariffs and draft Rate BES-NRB, and retain the definition of Peak period energy (9 A.M. – 10 P.M. on weekdays) in ComEd's current tariffs.
- The Commission should require ComEd to have a tariff that contains fixed prices for one year periods post-2006 for customer classes that have been declared competitive (i.e., customers with Peak monthly demands greater than 3 megawatts).
- The Commission should require that ComEd's Competitive Procurement Process - Blended Segment ("CPP-B") auction process be made applicable to CPP-Large Load Customers (i.e., those with Peak monthly demands between 1 and 3 megawatts) and reject ComEd's proposed Competitive Procurement Process - Annual Segment ("CPP-A") auction process for this group of customers.
- The Commission should reject ComEd's proposed "sign up window" of

30 days for ComEd's Rider PPO (and ComEd's Rider CPP-A Annual Segment auction if it is approved by the Commission) post-2006 and require a sign-up window of 75 days as is currently provided in ComEd's PPO-MI tariff.

- The Commission should require ComEd's continued provision of a stably priced Rider ISS – Interim Supply Service tariff ("Rider ISS") after 2006.

Q. Please provide an overview of ComEd's three tariffs which you are addressing in this testimony.

A. ComEd is proposing to "unbundle" its retail rates in 2007 so that all customers will pay separate charges for electricity supply and delivery. (ComEd Exhibit 7.0, pages 24-25, lines 543-548 and pages 25-26, lines 557-571).

Under ComEd's draft Rate BES-NBR, the following delivery service charges will be collected by ComEd from *all* customers:

a. A monthly Customer Charge.

b. A monthly Standard Metering Service Charge.

c. A Distribution Facilities Charge applicable to a customer's Maximum Kilowatts Delivered. (ComEd Exhibit 7.5, Draft Ill. C. C. No. 4, Original XC).

Additionally, under ComEd's draft Rate BES-NRB, transmission charges for each kilowatt-hour ("kWh") of electricity transmitted through the electricity transmission system will be collected either by ComEd (if ComEd provides electricity supply) or by a competitive electricity supplier contracted

to provide such electricity supply. (ComEd Exhibit 7.5, Draft Ill. C. C. No. 4, Original Sheet XD).

Supply charges for each kWh of electricity supplied to a customer will be collected either by ComEd, based on electricity prices resulting from ComEd's proposed auction process translated into customer rates using a formula proposed by ComEd, or by a competitive electricity supplier.

Q. What customer classes is ComEd proposing that will affect BOMA member buildings post-2006?

A. Under ComEd's proposed Rider CPP (also reflected in draft Rate BES-NRB), there will be 10 customer classes beginning January 2, 2007. Of these, the following four proposed customer classes include virtually all BOMA member buildings:

Customer Group	**Maximum Peak Demand**
Medium Load	100-400 kW
Large Load	400-1,000 kW
Very Large Load	1,000 – 3,000 kW
Competitive Load	>3,000 kW

Q. You mentioned that ComEd is proposing that its supply charges to consumers be determined based on an auction for electricity supply procurement proposed by ComEd. Is there only one auction process being proposed by ComEd?

A. No. The following chart indicates the auction supply procurement process which ComEd has proposed for the customer classes which include BOMA member buildings:

Rider CPP-Customer Group	**Maximum Peak Demand**	**Proposed Supply Procurement Process**
Medium Load	100-400 kW	CPP Auction – Blended Segment
Large Load	400-1,000 kW	CPP Auction – Blended Segment
Very Large Load	1,000 – 3,000 kW (1-3 MW)	CPP Auction - Annual Segment
Competitive Load	>3,000 kW (>3MW)	CPP-H Hourly "Auction"

The CPP Auction – Blended Segment ("CPP-B segment") is an annual auction in which ComEd acquires electricity supply through an auction for terms of one year, three years or five years and, as the name indicates, "blends" these products into a single annual auction price. (ComEd Exhibit 7.1, Proposed Ill. C.C. No. 4, Original Sheet No. 251). The CPP Auction – Annual Segment ("CPP-A segment") of the CPP auction includes only a single auction product with a term of one year. (ComEd Exhibit 7.1, Proposed Ill. C C. No. 4, Original Sheet No. 253).

The CPP-H "auction" will provide electricity for customers through the real time competitive markets, for both energy and capacity, of the PJM regional transmission organization.[1] A key distinction between the proposed CPP-B

[1] Mr. McNeil of ComEd has indicated that ComEd will not hold an auction for CPP-H class customers if the Reliability Pricing Model of PJM (a regional transmission organization that ComEd joined in May 2004) or a functional equivalent is in place before 2007. (ComEd Exhibit 3.0, pages 26-27, lines 565-572). If PJM's Reliability Pricing model or equivalent is available, ComEd intends to procure

segment and CPP-A segment auctions and the CPP-H "auction" is that the CPP-B segment and CPP-A segment auctions yield "stably priced" products – with prices fixed for at least an annual term – while the CPP-H "auction" yields a "variably priced" product that changes on an hourly basis. The details of the auctions are described at length in the direct testimony submitted by ComEd. (ComEd Exhibit 3.0; ComEd Exhibit 4.0; pages 36 to 65, lines 848-1548; ComEd Exhibit 7.0; and ComEd Exhibit 7.1).

Q. Does ComEd propose a method for translating prices for electricity supply coming out of the CPP-B segment and CPP-A segment auctions into retail electricity charges?

A. Yes. ComEd proposes specific mechanisms in Rider CPP to translate the prices for electricity supply from the CPP-B segment and CPP-A segment auctions into the retail rates that will be charged to customers that purchase supply from ComEd. (ComEd Exhibit 7.0, page 2, lines 21-31). These specific mechanisms are similar to those used by New Jersey to translate the clearing prices of its Basic Generation Service ("New Jersey BGS") auctions into retail rates. However, the ComEd approach has one significant modification from the New Jersey BGS translation mechanism: the addition of Migration Risk Factors, which we will discuss later in greater detail.

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electricity for CPP-H class customers, through PJM's real time competitive markets. Only in the absence of such PJM Reliability Pricing Model or functional equivalent will ComEd hold a CPP-H auction for electricity supply. (ComEd Exhibit 3.0, page 26, lines 564-576).

Q. Are the CPP-A segment and CPP-B segment auctions and proposed translation mechanisms the only way ComEd will determine charges to consumers who purchase bundled electricity supply and delivery from ComEd post-2006?

A. Apparently yes. As part of its proposed "unbundling" of electricity costs, ComEd apparently is proposing to eliminate currently available bundled rates and related riders post-2006. These rates and riders include:

- Rate 1 – Residential
- Rate 6 – General Service
- Rate 6L – Large General Service
- Rider 25 – Electric Space Heating

Q. Please define the term "rate shock" as you are using it in your testimony.

A. Rate shock occurs when a customer purchasing a commodity such as electricity under established rates experiences a "shock" (paying much higher amounts for comparable service) when those rates are redesigned. While few customers imagine that prices for commodities can remain unchanged forever, they do not expect an abrupt and extreme change in prices that causes them significant financial distress.

Q. Please summarize the changes that ComEd is proposing to its retail tariffs that you believe could lead to rate shock for BOMA member buildings.

A. Briefly, they are as follows (we will discuss each of them in greater detail later in our testimony):

1. *Elimination of ComEd's Rider 25 Electric Space Heating Tariff* (ComEd Exhibit 7.0, page 12, lines 552-556): BOMA member buildings who

currently are eligible to purchase electricity under ComEd's Rider 25 – Electric Space Heating tariff ("Rider 25") will face huge increases in their charges for electricity if ComEd's proposed changes to its tariffs are approved by the Commission.

2. *Inclusion of Migration Risk Factors in ComEd's proposed Rider CPP* (ComEd Exhibit 7.1, Proposed Ill. C.C. No. 4., Original Sheet No. 278): ComEd is proposing to use Migration Risk Factors in its translation of final clearing prices of the CPP-B segment auction into charges for electricity supply to consumers which will substantially increase charges for BOMA member buildings in the Medium Load (100-400 kW) and Large Load (400-1,000 kW) customer classes.

3. *Loss of ComEd Rider PPO-MI*: While ComEd has acknowledged that it must continue to have a Power Purchase Option ("PPO") tariff post-2006 (ComEd Exhibit 7.0, page 19, lines 419-423), it is proposing a Rider PPO-MVM tariff rather than continuing to offer the current Rider PPO-MI tariff (ComEd Exhibit 7.0, page 20, lines 440-451). We believe that such a change will adversely affect BOMA member buildings that are currently eligible for ComEd's PPO-MI tariff.

Q. Please describe the significance of ComEd's Rider 25 tariff.

A. ComEd's Rider 25 is currently available to ComEd's Rate 6 – General Service and 6L – Large General Service customers which heat their facilities solely with electricity. Rider 25 has two very significant provisions:

- During non-summer billing months, ComEd does not charge for electricity demand ($/kW) recorded by meters designated as "space heat" meters.
- During non-summer billing months, all electricity usage recorded by "space heat" meters is charged at a specific space heat rate (currently 4.557 cents/kWh).

Not surprisingly, Rider 25 buildings generally purchase more electricity during non-summer months than otherwise comparable buildings that use natural gas or another fuel source for heating. Rider 25 was adopted to encourage electricity space heating usage and thereby "balance" non-summer usage with the heavy summer usage on ComEd's system due to air-conditioning.

Primarily because Rider 25 customers do not pay for non-summer "space heat" demand, they spend approximately 15% less per kWh of electricity under ComEd's bundled rates than they would if they were "non-Rider 25" buildings. These lower electricity charges were a strong motivation for BOMA member buildings and other buildings to install electric space heating equipment when the buildings were constructed (as was ComEd's installation of internal electricity distribution riders, at no charge, to many "all-electric" buildings).

Q. Can you estimate the cost impact to electric space heat buildings if ComEd eliminates Rider 25 under its proposed "unbundling" of rates?

A. It is impossible to estimate the impacts precisely because the prices for electricity supply from ComEd's proposed auction procurement process are uncertain. However, based on a range of reasonable assumptions of auction supply prices of

4.5–6.0 cents per kWh and a delivery services rate increase of 17.78%, a randomly selected set of Rider 25 customers would have average rate increases from 17.6% (at 4.5 cents per kWh auction supply prices) to 46.5% (at 6.0 cents per kWh auction supply prices). The results of the analysis for each of these randomly selected customers based on auction supply price assumptions of 4.5¢ per kWh, 5¢ per kWh, 5.5¢ per kWh and 6¢ per kWh are attached as BOMA Exhibits 2.1, Tables 1 through 4. A description of the sources of the data and assumptions used in our analysis is attached as BOMA Exhibit 2.2.

Q. Can't Rider 25 buildings simply heat with another energy source – such as natural gas – if electricity becomes prohibitively expensive?

A. No. Installations of heating systems are very expensive (and sometimes virtually impossible) in buildings built to be heated electrically. Therefore, those buildings that installed electric heating equipment will be hurt if there are significant increases in their electricity charges for space heating usage.

Q. If the proposed "unbundling" of ComEd's current electricity rates goes forward in 2007 and Rider 25 is eliminated, are there any ways to provide relief for Rider 25 customers?

A. Yes. We believe the best way would be to exempt demand recorded by "electric space heat" meters from Distribution Facilities Charges in ComEd's delivery services tariffs. This exemption should also apply to buildings that are currently eligible to be served under ComEd's "heating with light" tariff which also are electrically space heated buildings. This exemption of charges for non-summer electric space heat demand would significantly mitigate these customers' rate

shock from the loss of Rider 25 and make rate impacts from ComEd's proposed changes more similar to the rate impacts for consumers not currently eligible for Rider 25 tariff service. Moreover, since this modification would be to ComEd's delivery services tariffs, it would not distort the incentive for electric space heating customers to seek electricity supply from sources other than ComEd.

Q. You also indicated previously that you object to ComEd's use of Migration Risk Factors in its proposed Rider CPP. Why?

A. We object to ComEd's proposal to calculate and use Migration Risk Factors in Rider CPP's translation of auction supply prices into retail rates for the following reasons:

- The key premise underlying the Migration Risk Factors that Messrs. Alongi and Crumrine propose in their testimony is fundamentally flawed. Simply put, we challenge their premise that any "propensities to switch" calculated for different customer classes based on switching statistics during the competitive transition period will be valid after 2006. **(**ComEd Exhibit 7.0, pages 58 - 59, lines 1302 - 1316).
- Since ComEd's proposed Migration Risk Factors would be added to the clearing price of the auction when calculating ComEd's applicable retail electricity rates under ComEd's proposed translation mechanism, Migration Risk Factors would significantly increase the electricity charges to BOMA member buildings and other consumers in the Medium Load (100-400 kW) and Large (400-1,000 kW) Load customer classes.

- Messrs. Alongi and Crumrine have acknowledged that the formulas ComEd proposes to calculate the Migration Risk Factors do not necessarily match the risk assessments that the wholesale suppliers bidding into the auction will use in developing their bids. (ComEd Exhibit 7.0, pages 57-58, lines 1288 - 1294).
- The New Jersey BGS Auction, the template for ComEd's auction, does not include Migration Risk Factors in its rate translation mechanism.

Q. Can you elaborate on your challenge to what you call the "flawed key assumption" underlying ComEd's proposed Migration Risk Factors?

A. Yes. Migration Risk Factors are an attempt to project the customer switching risks (i.e., the rate of customers' switching between ComEd electricity supply and competitive electricity supply) of various classes of customers so that their retail rates can be increased to reflect the supposed impact of this projected switching on auction bidders' prices to ComEd for electricity supply. (ComEd Exhibit 7.0, page 57, lines 1276-1283). ComEd's flawed key assumption is that they (ComEd) can reliably predict post-2006 customer switching based on historical patterns of customer switching during the current "competitive transition" period. We believe that the situation in the retail electricity market in ComEd's service territory post-2006 will be so different from the competitive transition period that predictions based on customer switching during current the period are essentially meaningless.

Q. Please compare the current situation in the retail markets in ComEd's service territory to the situation post-2006.

A. During the current "competitive transition" period, ending January 1, 2007, a number of non-residential electricity customers have repeatedly searched out the lowest cost electricity supply option. Some customers have changed their source of electricity supply each year, or even more often. For example, one year a consumer may purchase electricity from a competitive supplier. The next year it might opt for ComEd's PPO-MI tariff. The next year the consumer might return to ComEd's bundled rates. In each case, the consumer is attempting to minimize electricity costs in a changing market. When these decisions are made, the decision-maker takes into account the fact that ComEd's bundled rates have been frozen and will be frozen through 2006. In other words, ComEd's current bundled rates have provided a "ceiling" for electricity costs and have provided customers a safe "back stop" with predictable electricity costs.

Now, fast-forward to what the market will look like for non-residential customers in 2007 if and when ComEd's proposed auction supply procurement process is adopted and ComEd's current bundled rates are eliminated. Under ComEd's proposal, charges to customers will change at least annually. With this recurring uncertainty in ComEd's charges, many customers will want to lock in electricity costs through long term contracts with competitive electric suppliers. As two individuals involved in the retail electricity market, we can tell you that the length of the supply contract that a customer elects is a prime determinant in consumers' "propensity to switch" between ComEd supply and competitive electricity supply. Therefore, consumers' "propensity to switch" back and forth

from competitive supply to ComEd and vice versa could significantly *decrease* post-2006.

Q. How will the Migration Risk Factors that ComEd is proposing result in significant increases in electricity prices for customers in ComEd's CPP Medium Load (100-400 kW) and Large Load (400-1,000 kW) customer classes?

A. ComEd's sample Migration Risk Factors (Table 5.1 of ComEd Exhibit 7.7) based on historical switching statistics are:

Proposed CPP Class	Migration Risk Factors ($/mWh)
Medium Load (100 to 400 kW)	1.63
Large Load (400 to 1,000 kW)	3.75

The Migration Risk Factors shown above are not necessarily the ones that would apply in 2007 because ComEd is proposing to use updated historical switching statistics to determine Migration Risk Factors at that time. However, they give a sense of the magnitude of costs that could be added to the bills of Large and Medium Load customers on ComEd CPP supply. Let's look at two examples. Based on the purchase of 5,000 mWh of electricity annually by a Large Load customer, the Migration Risk Factor shown above would translate into an additional $18,750 on their annual electricity bills. For a Medium Load customer purchasing 1,000 mWh of electricity per year, the applicable Migration Risk Factor shown above would result in an additional $1,630 annually. Moreover, our experience suggests that ComEd's commodity electricity prices tend to establish a

benchmark or "bogey" against which competitive suppliers bid. Therefore, if Migration Risk Factors result in substantially higher ComEd charges for bundled electricity supply and delivery, these higher charges also are likely to cause upward price pressure for customers purchasing electricity from competitive suppliers.

Q. You mentioned that New Jersey's auction does not include any Migration Risk Factors in their translation of auction clearing prices to retail customer rates. Why is this significant?

A. ComEd has made it clear that they have largely copied what they contend are the "successful" New Jersey Basic Generation Service ("BGS") auctions. (ComEd Exhibit 1.0, pages 12-13, lines 290-293; ComEd Exhibit 3.0, pages 14-15, lines 319-323; and ComEd Exhibit 4.0, page 36, lines 856-859, and page 42, lines 989-991.) Therefore, it is significant that in New Jersey the utilities do not include Migration Risk Factors in their formulas to establish retail customer rates.

Q. What is your recommendation regarding ComEd's proposed Risk Migration Factors?

A. The Commission should reject any charges for migration risk in ComEd's tariffs.

Q. You mentioned earlier that you object to ComEd's proposed replacement of Rider PPO-MI with PPO-MVM. What is your objection to this proposed change?

A. Under ComEd's proposed PPO-MVM tariff, eligible customers would be charged the same charges that they would be charged under ComEd's CPP tariff. (ComEd Exhibit 7.0, page 20, lines 448-451).

In contrast, the charges in ComEd's current PPO-MI tariff are established using a tariffed market index formula that bases the prices on a "snapshot" of forward market prices taken over a specified 20 day period. (Ill. C.C. No. 4., 5th Revised Sheet No. 151.4). (The PPO-MI tariff has been providing an economical electricity supply option to consumers for several years and is a proven, beneficial option for consumers. PPO-MI has been exhaustively reviewed by the Commission and was substantially revised in 2003 based on a settlement agreement among ComEd and many consumer groups. (ICC Final Orders, Docket Nos. 02-0656/ 02-0671/ 02-0672/ 02-0834 (Consol.), Docket No. 01-0423, and Docket No. 02-0479, dated March 28th, 2003). Moreover, since PPO-MI relies on a market index methodology to establish prices, it would provide a much-needed "check" against the results of ComEd's proposed auction procurement processes. Therefore, the Commission should reject ComEd's proposed PPO-MI tariff and ComEd should continue to provide PPO-MI (or, alternatively, a PPO tariff based on a neutral fact finder methodology) post-2006.

Q. You also have mentioned concerns about ComEd's proposed change in the definition of "Peak Period" to include a larger number of hours of Peak usage. Please describe ComEd's proposed change.

A. Currently, ComEd's tariffs define the Peak Period for energy as:

> " . . . the hours of 9:00 a.m. to 10:00 PM on Monday through Friday except on days when [specified] holidays . . . are . . . observed, and, if one of the forgoing holidays occurs on a Tuesday or Thursday, the

> immediately preceding Monday or immediately following Friday, respectively." (ILL.C.C. No. 4, 5th Revised Sheet No. 27).

ComEd's proposed Riders CPP and PPO-MVM define the Peak Period for energy as:

> ". . . the hours from 6 A.M. until 10 P.M. Central Prevailing Time (CPT), Monday through Friday except on days designated as holidays by the North American Electric Reliability Council ("NERC")." (ComEd Exhibit 7.1, Proposed Ill. C.C. No. 4., Original Sheet No. 247).

This proposed change means that the number of Peak hours on non-holiday weekdays increases from 13 (9 A.M. to 10 P.M. in the current tariff) to 16 (6 A.M. to 10 P.M. in the proposed tariffs), which is approximately a 23% increase.

Q. What is ComEd's justification for this very significant change in the definition of the Peak and Off-Peak energy periods?

A. According to Messrs. Alongi and Crumrine, "The(se) definitions of the Peak and Off-Peak Periods will conform the [ComEd] retail rate structure to the commonly used definition in the wholesale market, enhancing the transparency of the corresponding retail Supply Charges to the wholesale market, and they simplify the calculations in the translation portion of the Rider CPP." (ComEd Exhibit 7.0, page 47, lines 1057-1061).

Q. Do you believe the rationale of Messrs. Alongi and Crumrine for changing the definition of Peak and Off-Peak energy periods in its tariffs is sufficient to support such a change?

A. No. In our opinion, the disadvantages for consumers of changing the definition of Peak and Off-Peak in ComEd's tariffs far outweigh any benefits of conforming to the commonly used definition of Peak in the wholesale market and simplifying the rate translation mechanism.

ComEd's proposed change in the definition of Peak and Off-Peak energy periods will cause a great deal of confusion for retail customers in ComEd's service territory. Moreover, ComEd customers have made significant investments based on the current definition whose value could be adversely affected by this change. One example that comes to mind is use of heating, ventilation and air conditioning ("HVAC") systems. One goal of many of these installations is to shift electricity usage into Off-Peak periods. Broadly speaking, by "pre-cooling" the facility in early morning hours in the summer months, the HVAC systems can consume somewhat more kWh in the Off-Peak period in order to reduce consumption of more expensive kWh during the Peak period. The economic value of this "pre-cooling" approach is affected by the number of Peak as opposed to Off-Peak hours. If an HVAC system currently runs from 6 A.M. to 9 A.M. on weekdays to "pre-cool" a structure, it is using lower priced Off-Peak electricity. However, if ComEd's Peak period is changed to begin at 6 A.M., then the building would have to either 1) use more expensive Peak energy from 6 A.M. to 9 A.M. to "pre-cool" the building, or 2) start the "pre-cooling" earlier than 6 A.M. with a resultant loss in the system's efficacy. Both of these approaches would lessen the economic benefits provided by the HVAC system to the building.

Another problem with the proposed change in Peak and Off-Peak hours is that it will make it difficult or impossible for consumers to project their electricity costs because they will not be able to determine how much "Peak" usage they are likely to have in the future due to the changed definition. This could lead to bad economic choices, and increased prices for many consumers.

Q. What do you recommend regarding the definition of Peak and Off-Peak energy in ComEd's tariffs?

A. Given the huge confusion and possible increased costs that are likely to result from ComEd's proposed change in the definition of Peak and Off-Peak energy, we recommend that the Commission reject any change from ComEd's current tariff definitions of Peak and Off-Peak energy periods. This is a bad time for such a change because ComEd is proposing so many other extensive changes to its tariffs.

Q. You said earlier that the Commission should require that electricity supply be made available by ComEd post-2006 at fixed prices for one year periods to ComEd customers in classes that have been declared competitive (i.e., customers with Peak loads greater than 3 MW). What is your basis for this assertion?

A. We are not lawyers, but our review of Section 16-103(c) of the Public Utilities Act (the "Act") indicates that it requires that ComEd provide electric supply to customers in classes that have been declared competitive, either at (i) those prices for electric power and energy as provided in 16-112 of the Act (220 ILCS 5/16-112); or (ii) the electric utility's cost of obtaining electric power and energy at wholesale through a competitive bidding or arms length acquisition process. (220

ILCS 5/16-103(c)). Nevertheless, ComEd has proposed that only an hourly priced product acquired from the real time competitive markets of PJM be available for the over 3MW class of customers that have been declared competitive. (ComEd Exhibit 7.0, page 10, lines 209-212). This is neither the result of a competitive bidding or other arms-length acquisition process nor a function of an exchange traded or market traded index, options or future contract. Therefore, the Commission should require, post-2006, that ComEd make either Rider PPO-MI or the CPP-A segment auction product (which both provide for fixed prices for one year periods) available to customers that have been declared competitive (i.e., customers with Peak loads greater than 3 MW) in order to comply with the Public Utilities Act.

Q. You also have suggested that customers in ComEd's Very Large Load Customer Group (1 to 3 MW) should be able to purchase electricity based on prices from the CPP-B segment auction rather than being subject to a separate CPP-A segment auction. Why?

A. As we have discussed earlier, ComEd is proposing two CPP auction segments: a CPP-B segment auction for customers up to 1 MW of Peak monthly demand and a CPP-A segment auction for customers from 1 to 3 MW of Peak monthly demand. The CPP-B segment auction has two notable advantages over the CPP-A segment auction:

- CPP-A segment auction prices will be vulnerable to much greater annual price fluctuations since 100% of the supply will be bid each year. (ComEd Exhibit 4.0, page 40, lines 928-930). In contrast, the annually determined

CPP-B segment auction prices will, as the name indicates, be "blended" from supply contracts of different lengths (i.e., 1, 3 and 5 year contracts). Therefore, annual price changes in charges resulting from CPP-B segment auction will not be as volatile. (ComEd Exhibit 4.0, pages 57-58, lines 1364-1371).

- ComEd's proposed CPP-A segment auction provides customers with only a brief 30-day "window" to elect this tariff auction once they are notified of the annual price change. CPP-B segment auction customers are not subject to any such time restriction. (ComEd Exhibit 3.0, page 38, lines 811-827).

ComEd did not indicate any valid justification for treating ComEd's Very Large Load Customer Group differently than the Medium Load and Large Load customer groups. Therefore, the Commission should require ComEd to include the 1-3 MW customer class in the CPP-B segment auction if the CPP tariff is approved by the Commission.

Q. You have mentioned concerns about ComEd's proposed 30 day "window" under its proposed PPO-MVM and CPP-A. What are these concerns?

A. Under ComEd's proposed PPO-MVM and CPP-A, customers have only a 30 day window to sign up for service after the charges to customers are posted for the coming year. (ComEd Exhibit 7.2, Proposed Ill. C.C. No. 4, Original Sheet No. 295; and ComEd Exhibit 7.1, Proposed Ill. C.C. No. 4, Original Sheet No. 272). Having worked with many electricity accounts to contract for electricity supply, we have repeatedly experienced the challenges of obtaining proposals from

competitive suppliers, analyzing those proposals, comparing prices, making supply recommendations and executing supply arrangements. Currently, the ComEd PPO-MI sign-up window is 75 days (this year, it was from February 1 to April 18) and yet has proven to be a very tight time frame. To perform this same task in only 30 days would be nearly impossible. Simply put, 30 days is much too short a time for customers to evaluate their electricity supply options and take appropriate action. Therefore, the Commission should require that a sign up window of no less than 75 days continue in ComEd's PPO tariff and be included in ComEd's CPP-A tariff if this tariff is approved by the Commission.

Q. You also have mentioned a possible elimination of ComEd's Rider ISS – Interim Supply Service tariff. What is the significance of this tariff?

A. ComEd's Rider ISS – Interim Supply Service ("Rider ISS") is a currently available ComEd tariff that enables accounts receiving electricity under ComEd's delivery services tariffs to obtain predicable, stably priced electricity for up to 3 monthly billing cycles if they are no longer being provided electricity by a competitive supplier or under ComEd's PPO-MI tariff. The Commission should require that ComEd continue providing Rider ISS post-2006 to encourage customers to utilize competitive supply and help minimize any tendency for customers to migrate between ComEd supply and competitive supply.

Q. Does this conclude your testimony?

A. Yes, it does.